

Tax and Spending Patterns by State and Local Governments

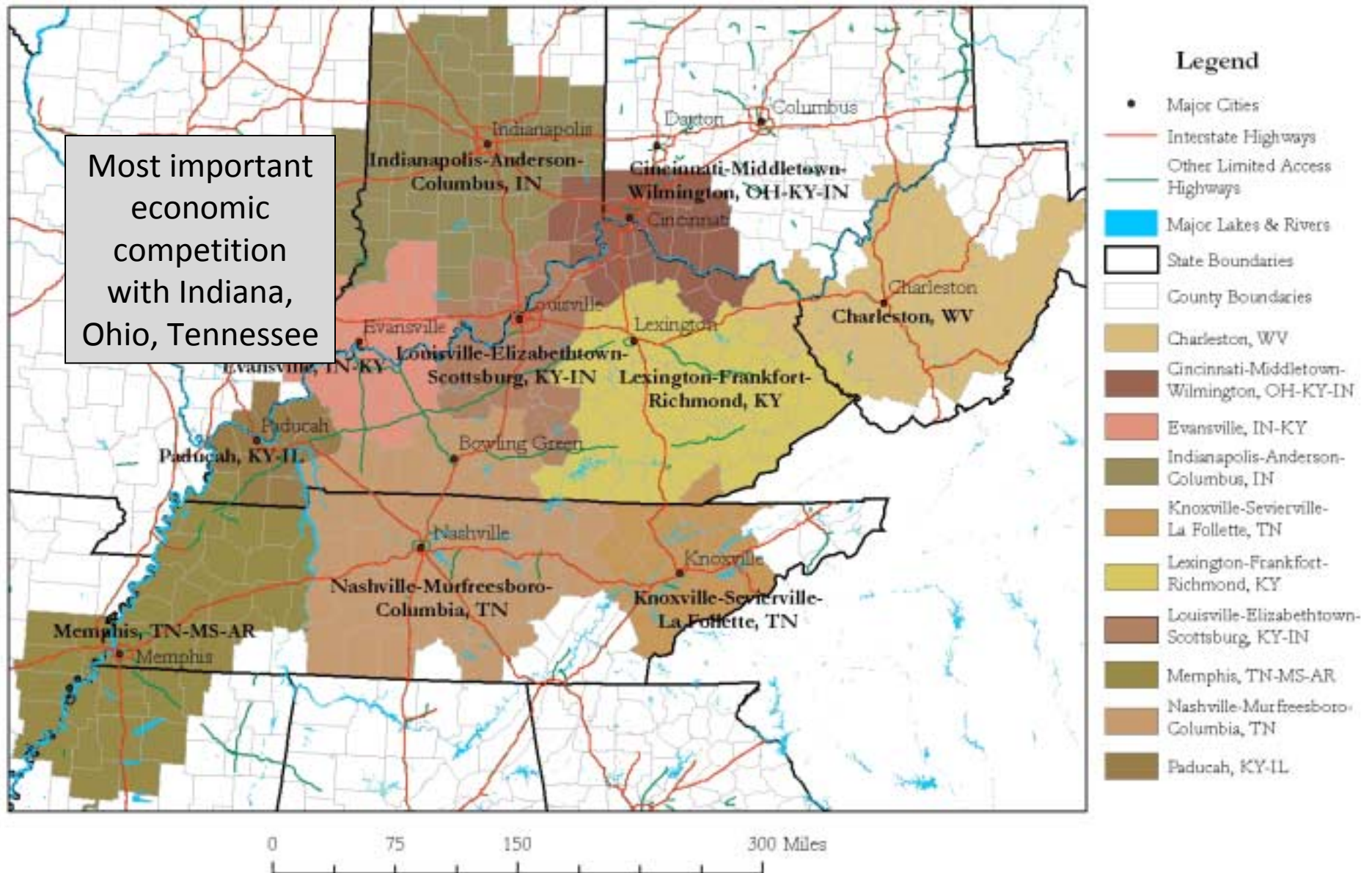
Kentucky and Bordering States *some selected evidence*

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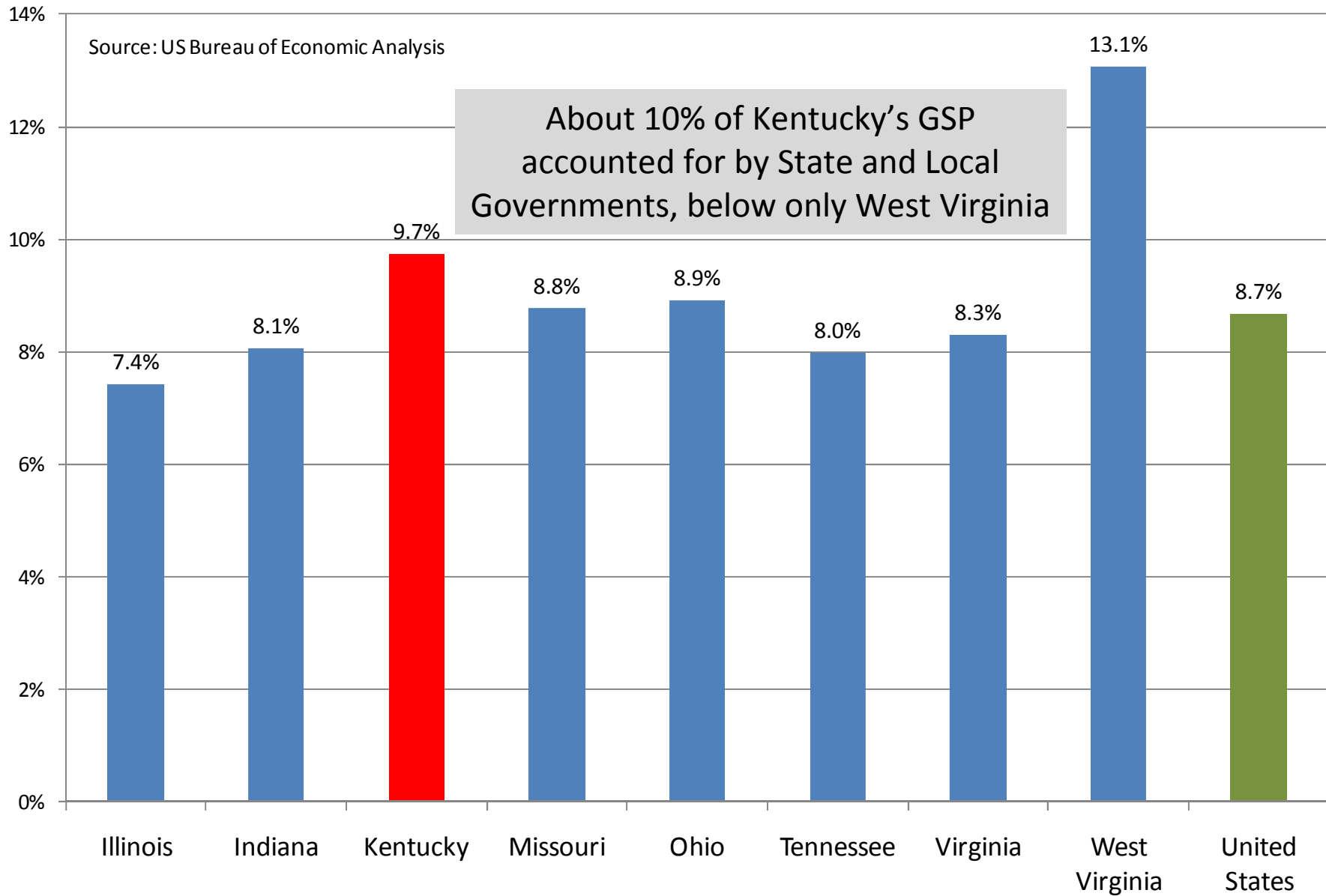
Regional Economic Areas (as defined by the U.S. Bureau of Economic Analysis)



High-level state comparisons of government size, revenues, and expenditures

State and Local Government's Share of Gross State Product, 2007

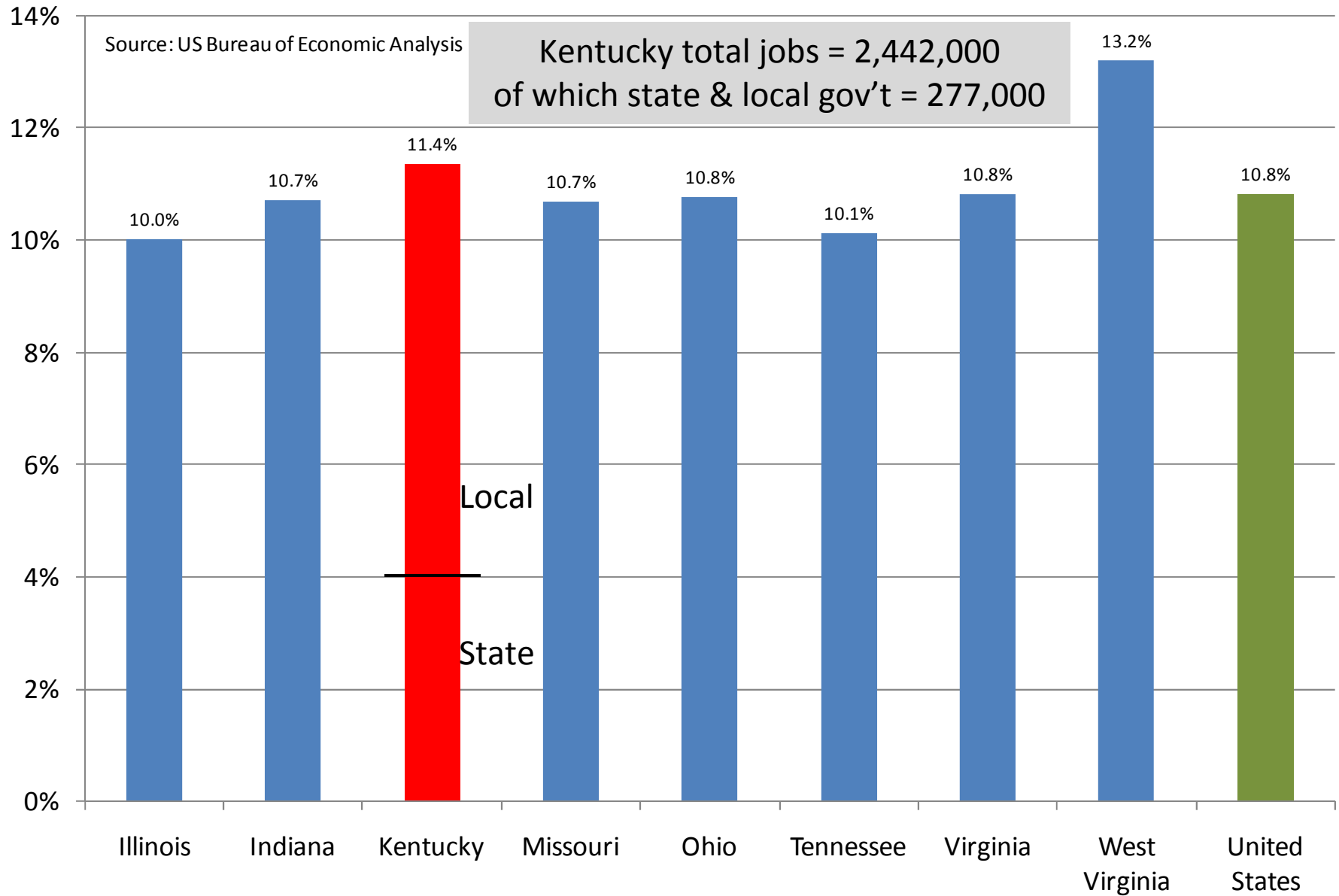
Source: US Bureau of Economic Analysis



State and Local Government Share of All Jobs in State, 2008

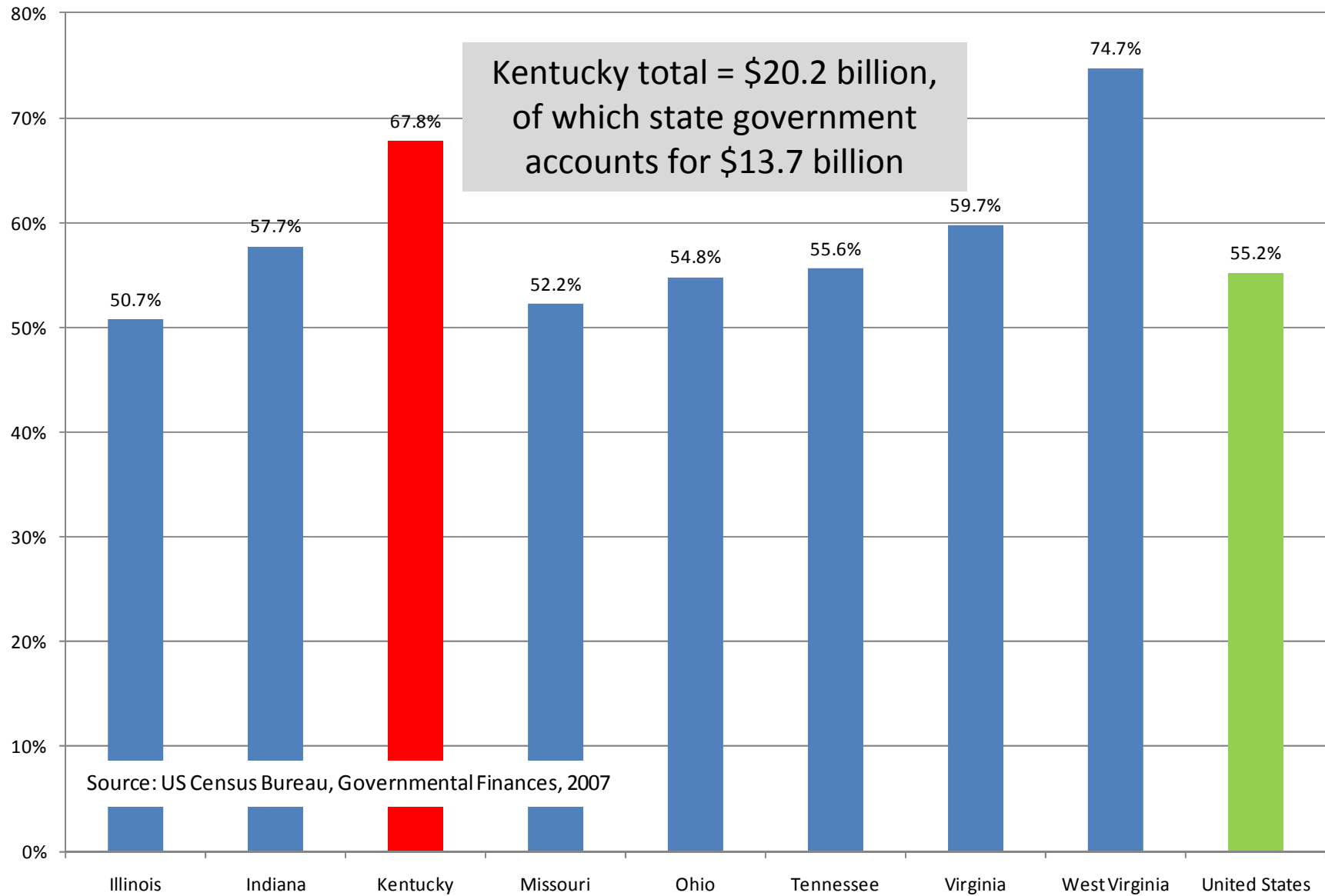
Source: US Bureau of Economic Analysis

Kentucky total jobs = 2,442,000
of which state & local gov't = 277,000

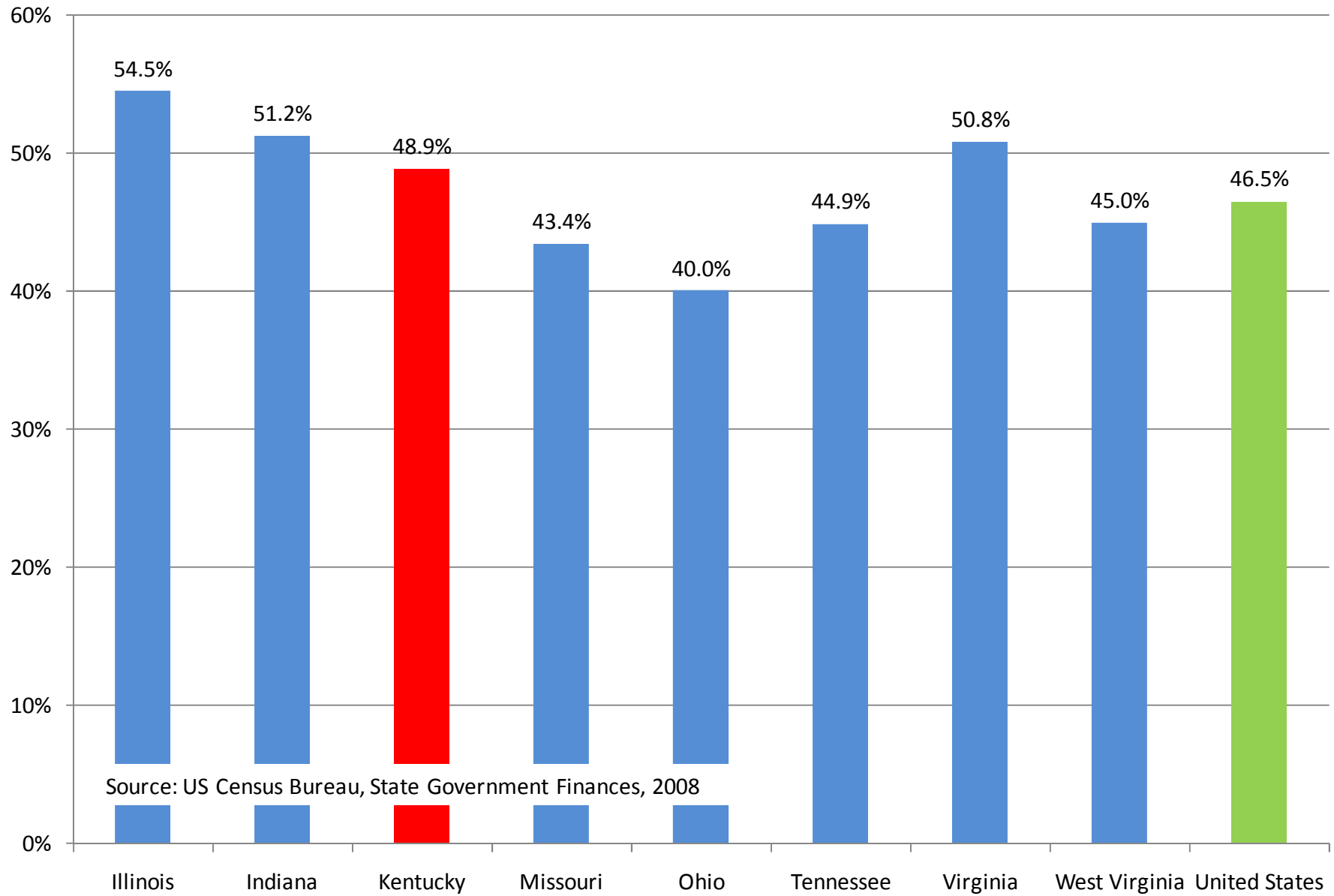


Centralization

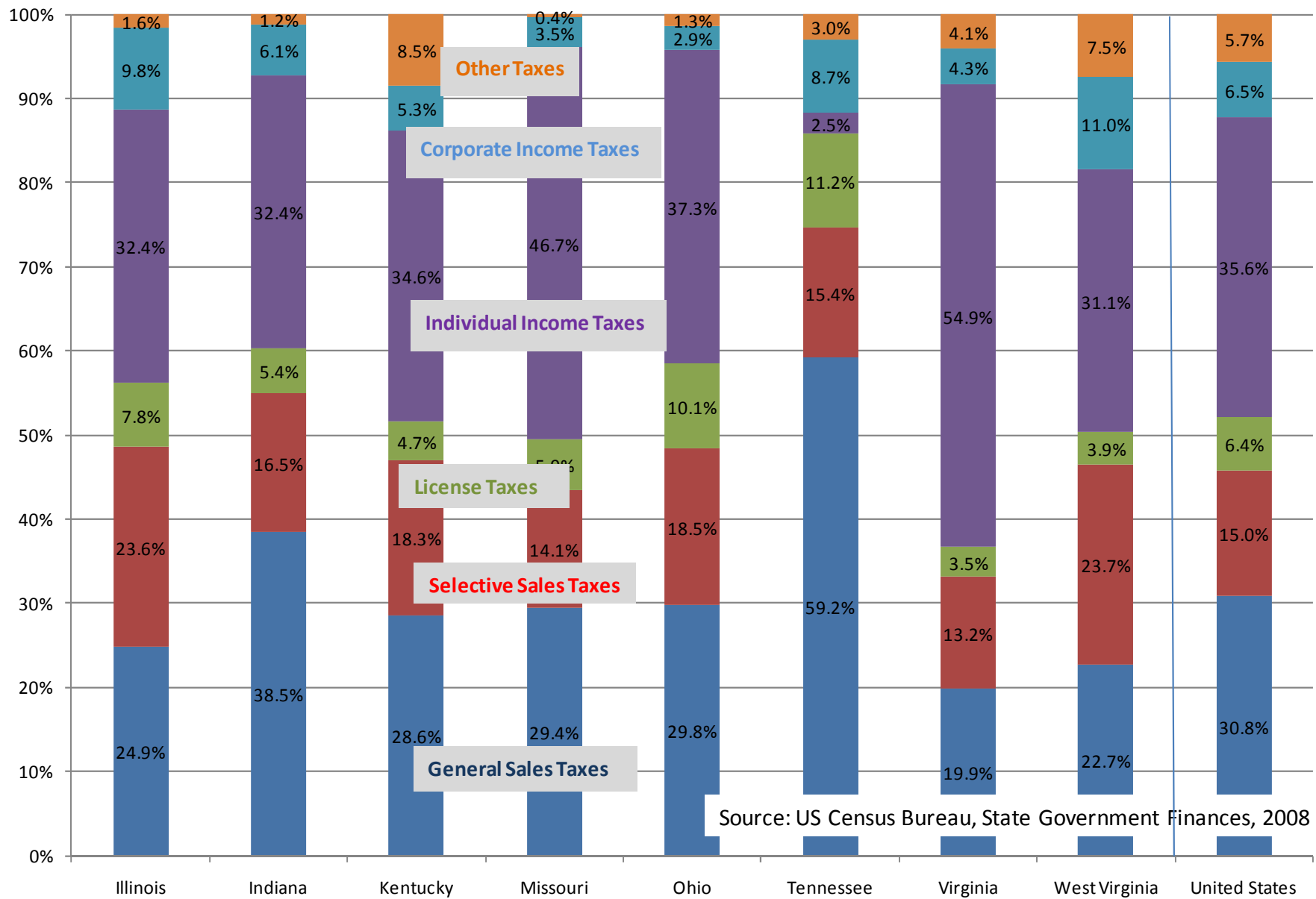
State Government's Share of Total State and Local Government Own-source Revenues



Taxes as a Percentage of Total State Government Revenues

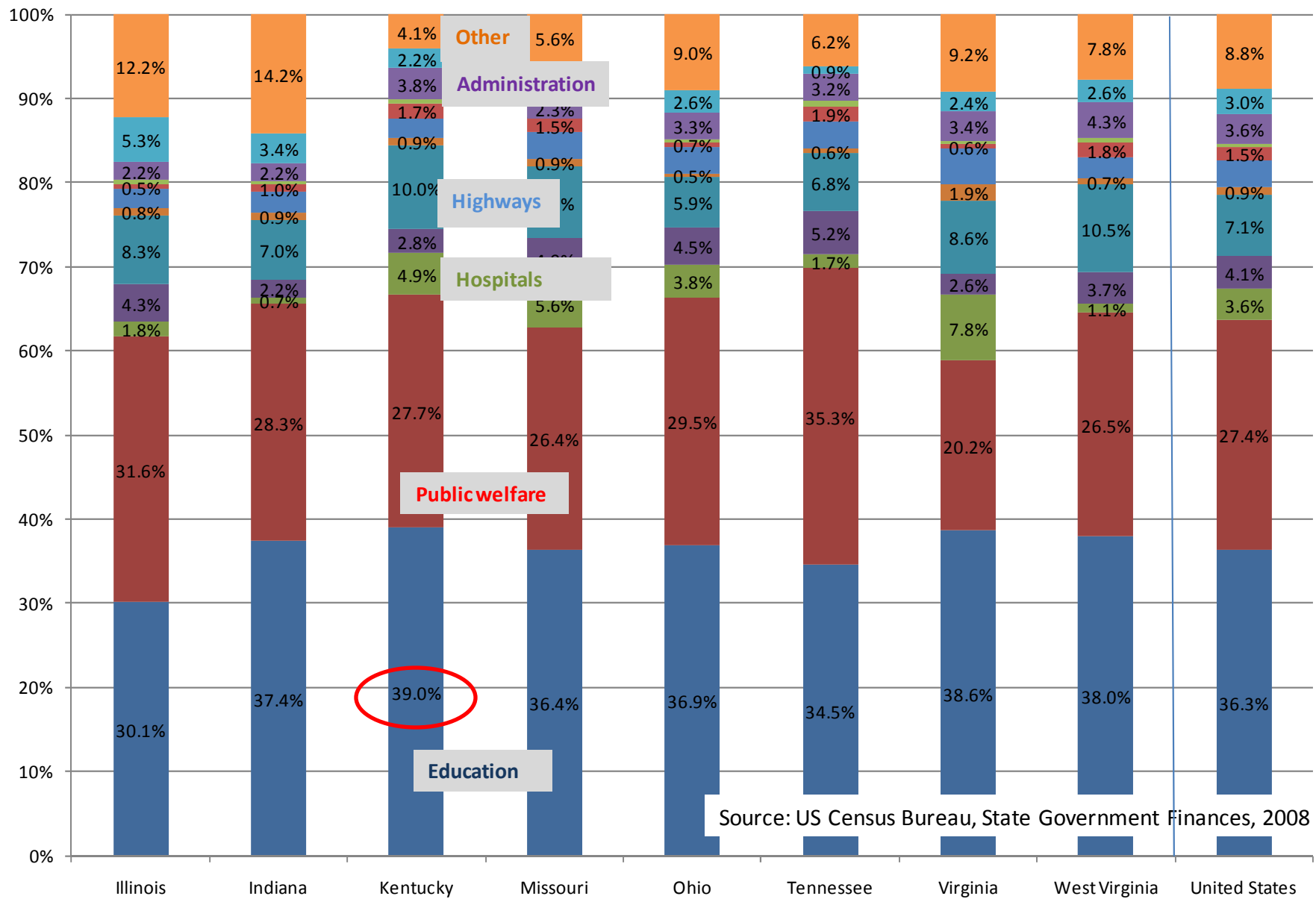


State Tax Revenues by Type, Kentucky and Border States, 2008



Source: US Census Bureau, State Government Finances, 2008

State General Expenditures by Type, Kentucky and Border States



Source: US Census Bureau, State Government Finances, 2008

Family 'Tax Burdens'

Annual Washington DC Mayor's office study of family tax burdens in largest city in each state.



Assumes two wage earners, one school age child, with earning split 70/30 among adults.

Looks at major state and local taxes on families with gross incomes of \$25,000, \$50,000, \$75,000, \$100,000, \$150,000.

Considers income, sales, real property, automobile taxes and fees. Includes local sales taxes, occupational taxes. Estimates local housing values, car values for each income bracket.

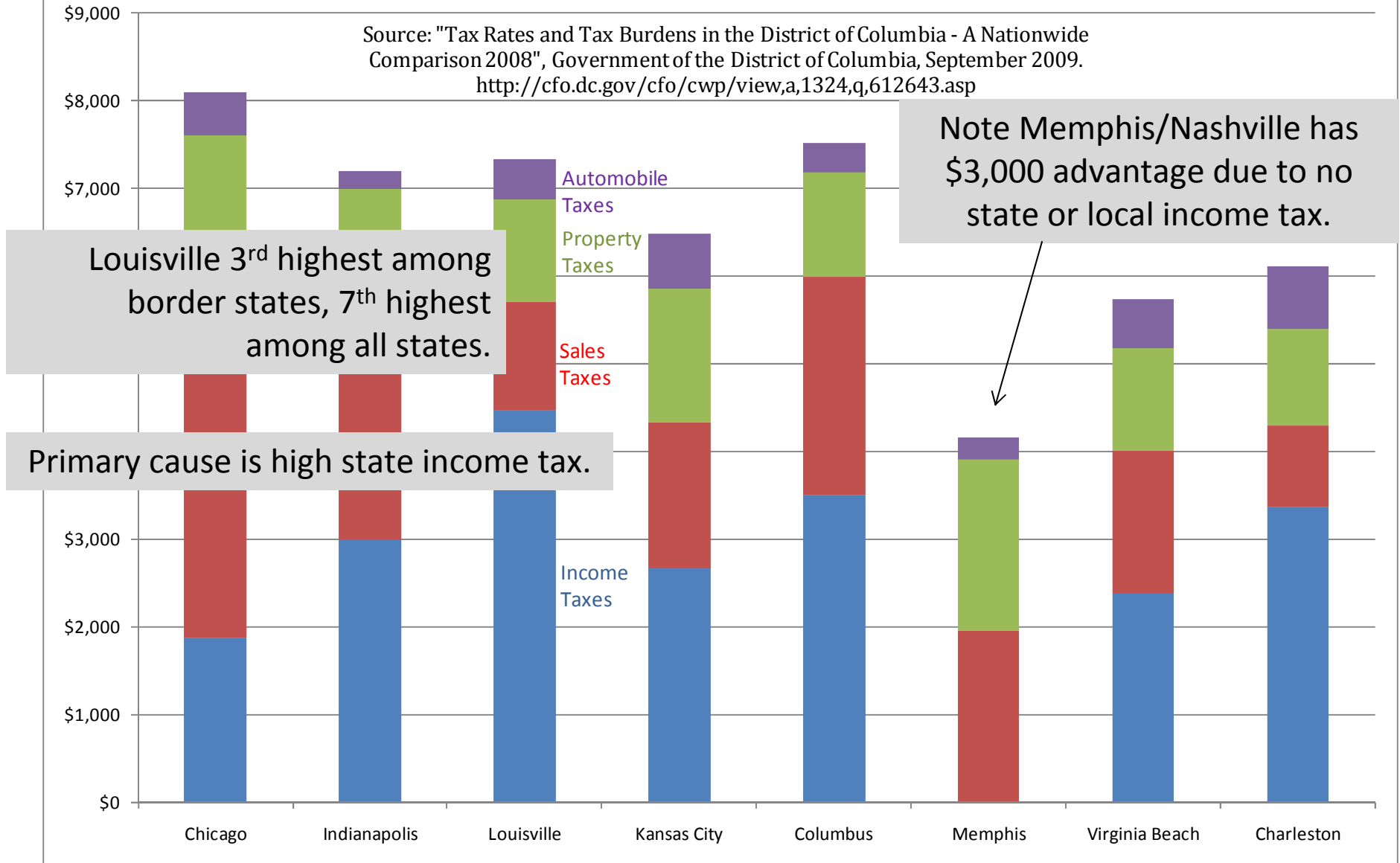
Does not take account of deductibility of tax payments on federal income tax.

Largest 'City' in each state is defined as largest municipality, not metro area.....

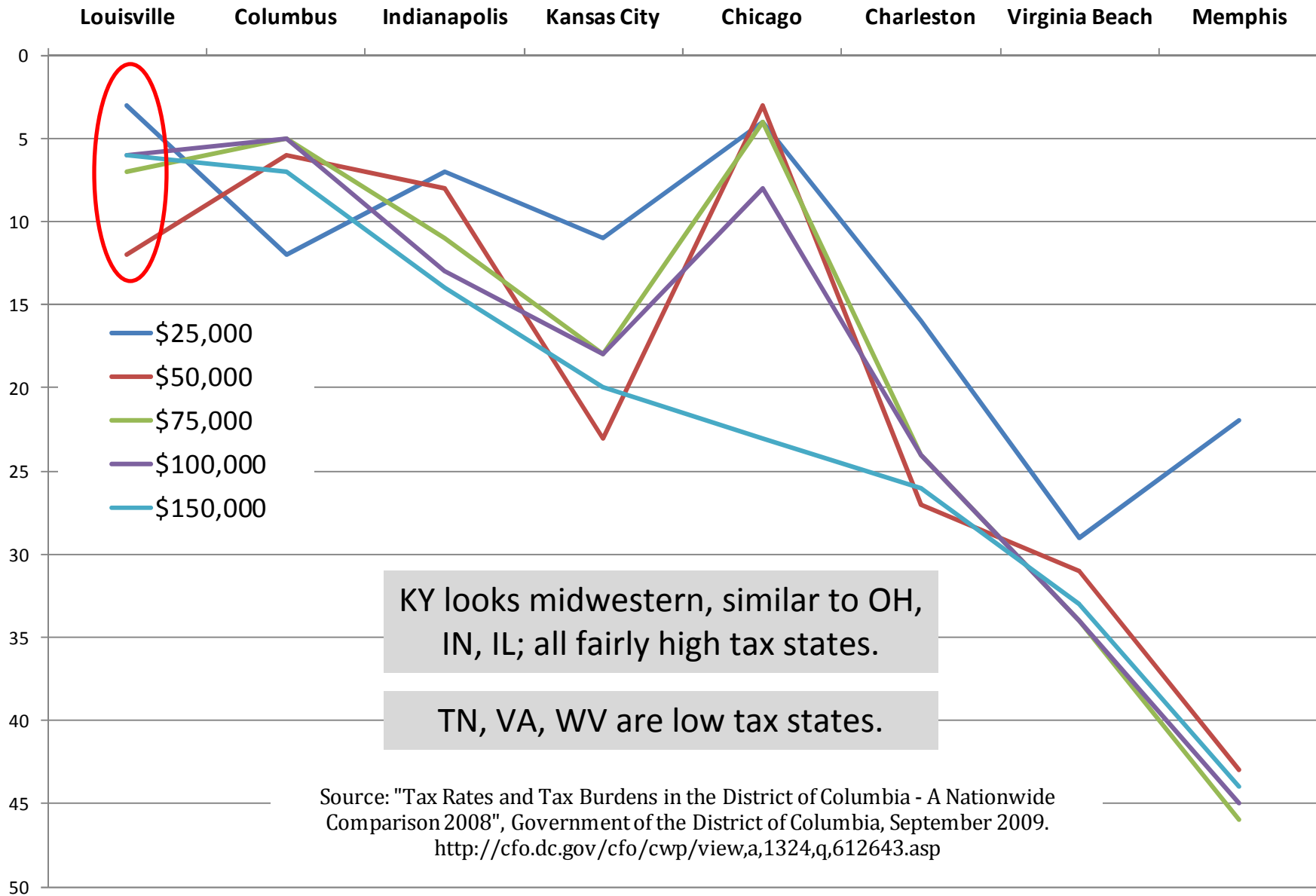
.....so, we can compare the City of Louisville to Charleston, Chicago, Columbus, Indianapolis, Kansas City, Memphis, and Virginia Beach.

Estimated Burden of Major Taxes for a Hypothetical Family of Three, 2008, with \$75,000 in Gross Income

Source: "Tax Rates and Tax Burdens in the District of Columbia - A Nationwide Comparison 2008", Government of the District of Columbia, September 2009.
<http://cfo.dc.gov/cfo/cwp/view,a,1324,q,612643.asp>



Ranking Among 50 States plus DC, Five Income Levels, 2008



Income Taxes

Hard to figure out ultimate tax burden from tax rate schedules



State Individual Income Tax Rates, 2009					
Local Rates Excluded					
As of July 1, 2009					
(2009's noteworthy changes in bold)					
State	Federal Deductibility	Marginal Rates and Tax Brackets for Single Filers (a)	Standard Deduction		Personal Exer
			Single	Joint	Single
Illinois	No	3% of federal adjusted gross income with modification	n.a	n.a	\$2,000
Indiana (x)	No	3.4% of federal adjusted gross income with modification	n.a	n.a	\$1,000
Kentucky (x,s)	No	2% > \$0 3% > \$3,000 4% > \$4,000 5% > \$5,000 5.8% > \$8,000 6% > \$75,000	\$2,100 (n)	\$2,100 (n)	\$ 20 (c)
Missouri (x,s)	Yes (p)	1.5% > \$0 2% > \$1,000 2.5% > \$2,000 3% > \$3,000 3.5% > \$4,000 4% > \$5,000 4.5% > \$6,000 5% > \$7,000 5.5% > \$8,000 6% > \$9,000	\$5,450 (o)	\$10,900 (o)	\$2,100
Ohio (x,s)	No	0.587% > \$0 1.174% > \$5,000 2.348% > \$10,000 2.935% > \$15,000 3.521% > \$20,000 4.109% > \$40,000 4.695% > \$80,000 5.451% > \$100,000 5.925% > \$200,000	n.a	n.a	\$1,450 (e) (n)
Tennessee	No	6% > \$0 (f)	n.a	n.a	\$1,250
Virginia (s)	No	2% > \$0 3% > \$3,000 5% > \$5,000 5.75% > \$17,000	\$3,000	\$6,000	\$930
West Virginia (s)	No	3% > \$0 4% > \$10,000 4.5% > \$25,000 6% > \$40,000 6.5% > \$60,000	n.a	n.a	\$2,000

Income Taxes - simulated

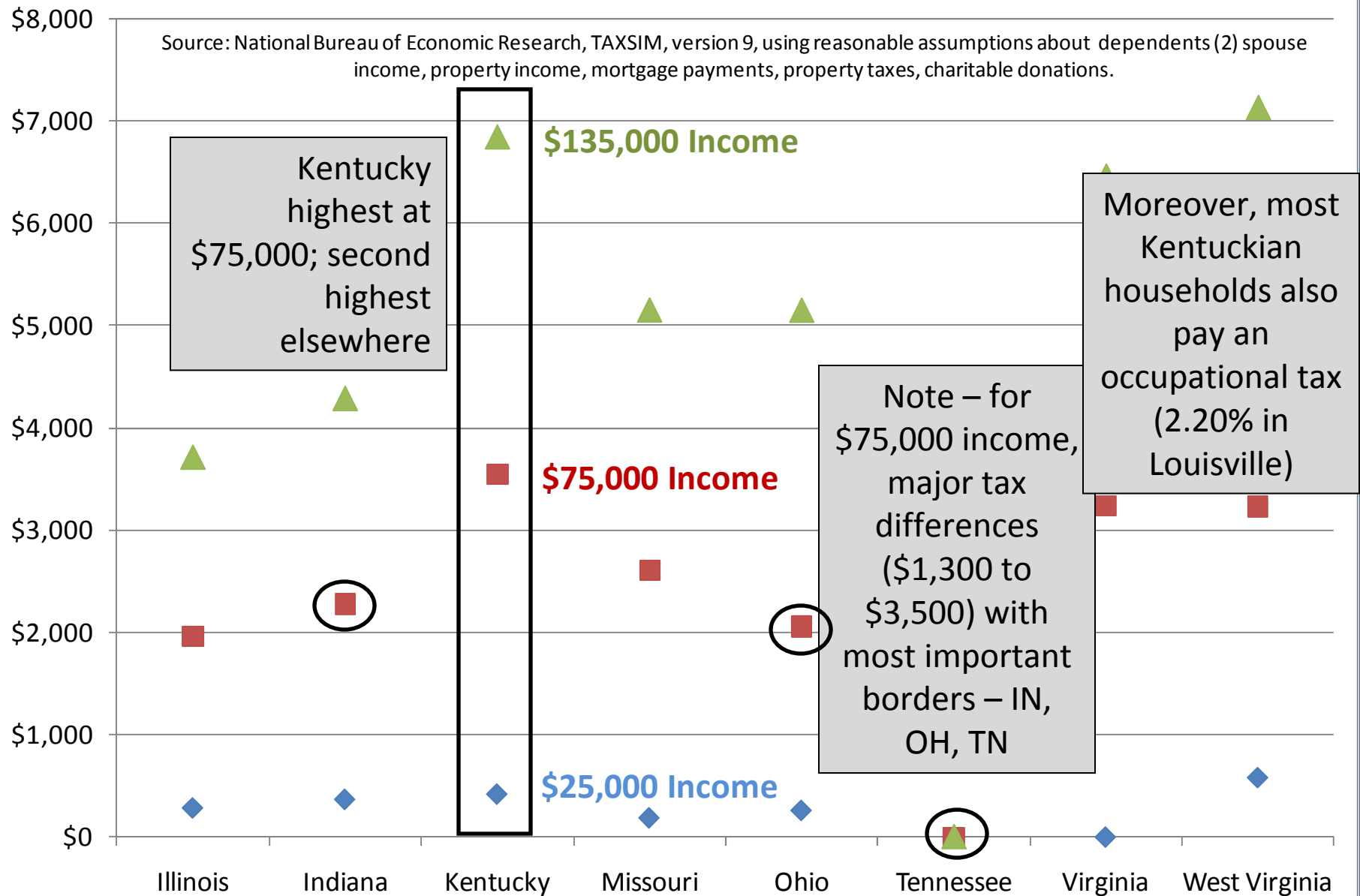
TAXSIM (National Bureau of Economic Research) Results – Kentucky and Border States, 2008

Household income: \$25,000, \$75,000, \$135,000

- two income earners filing jointly
- plus \$0, \$2,000, \$5,000 in non-wage income
- two dependents
- \$1,000 to \$2,000 property taxes paid
- \$5,000 to \$8,000 in mortgage interest, charitable deductions

Report State Income Tax Liability for each state

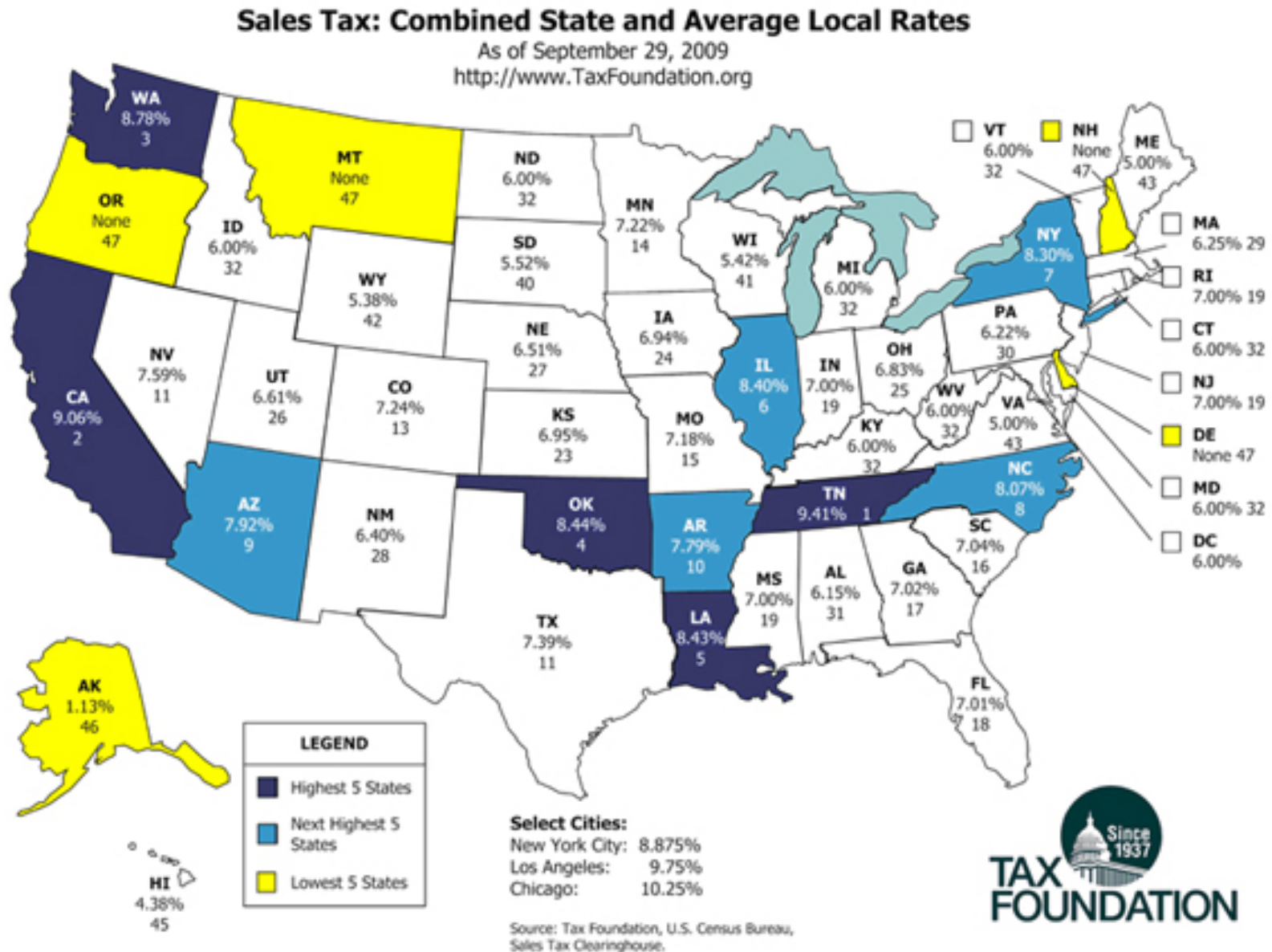
State Individual Income Tax Liability, Family of Four, 2008



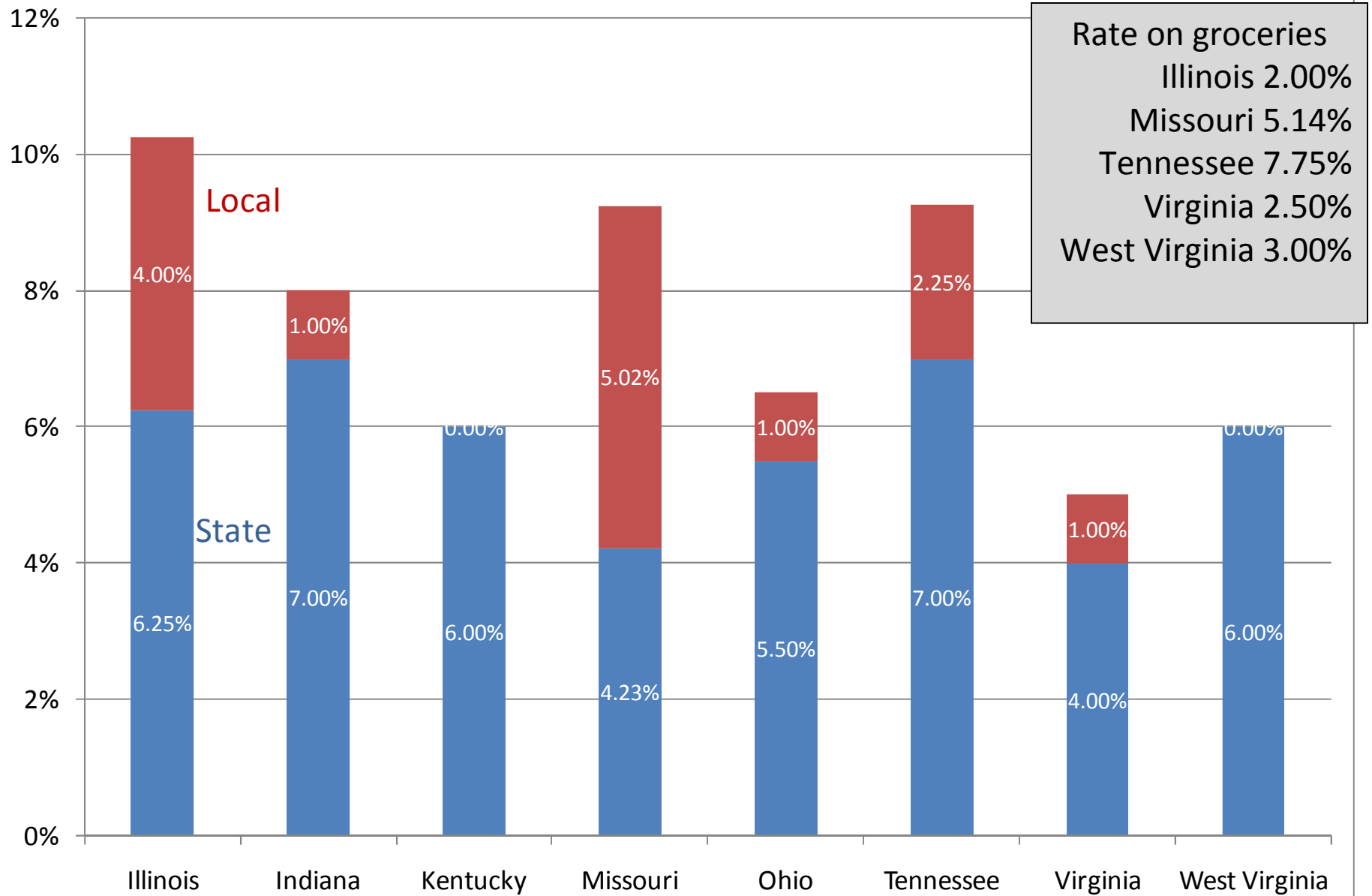
Sales-based Taxes

Illinois, Indiana, Ohio, Tennessee and Missouri higher than Kentucky,
only Virginia lower.

All border states except WV have local option sales taxes.



General Sales Tax Rates, State and Local (Largest City)

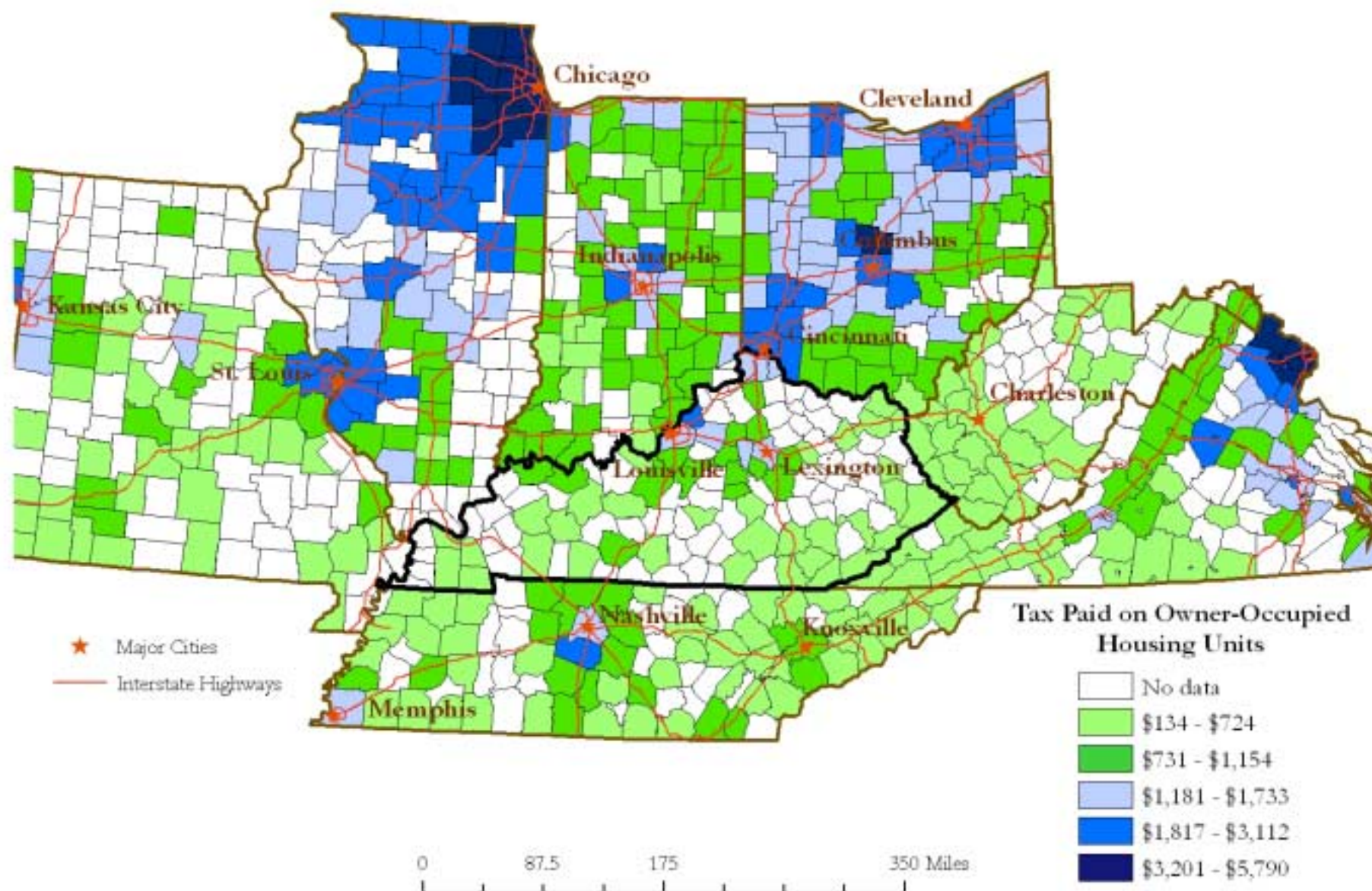


Property-based Taxes

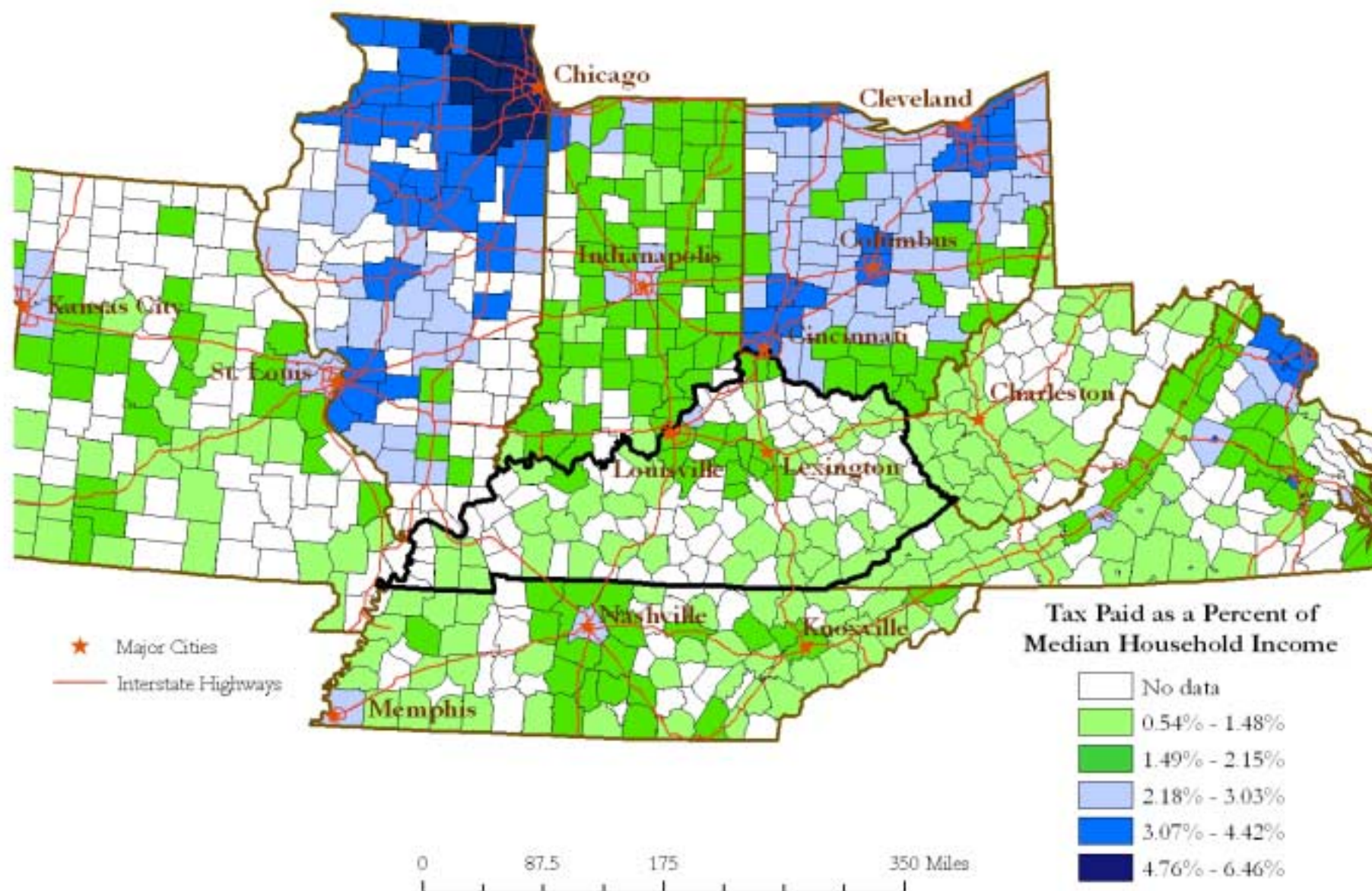
from 2005-07 American Community Survey
US Census Bureau

Households report real estate taxes, home value, income.
Estimates only available for more populated counties.

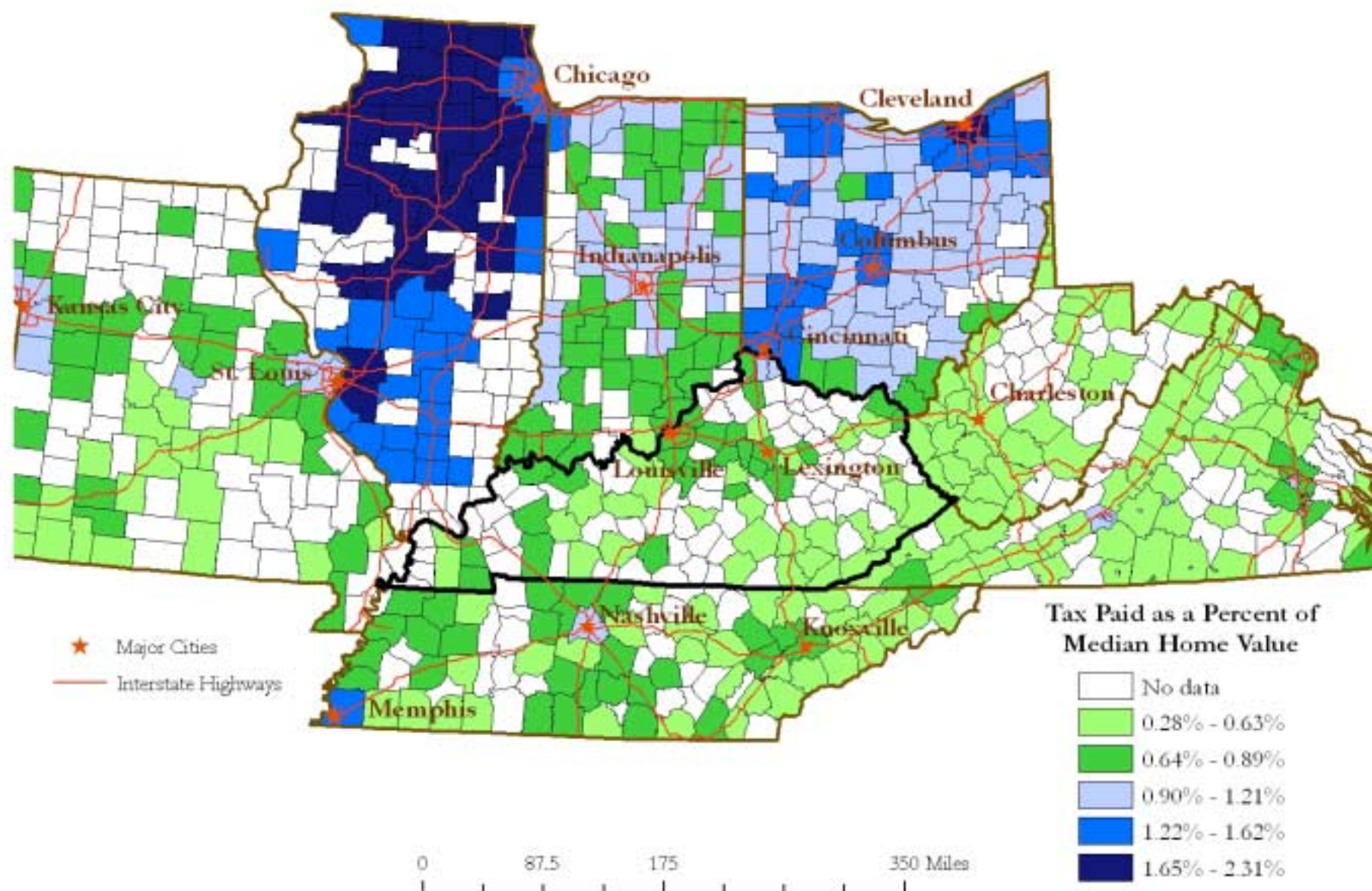
Median Property Taxes Paid on Owner-Occupied Housing Units by County for Kentucky and Surrounding States, 2005-2007 Average



Median Property Taxes Paid as a Percentage of Median Household Income by County for Kentucky and Surrounding States, 2005-2007 Average



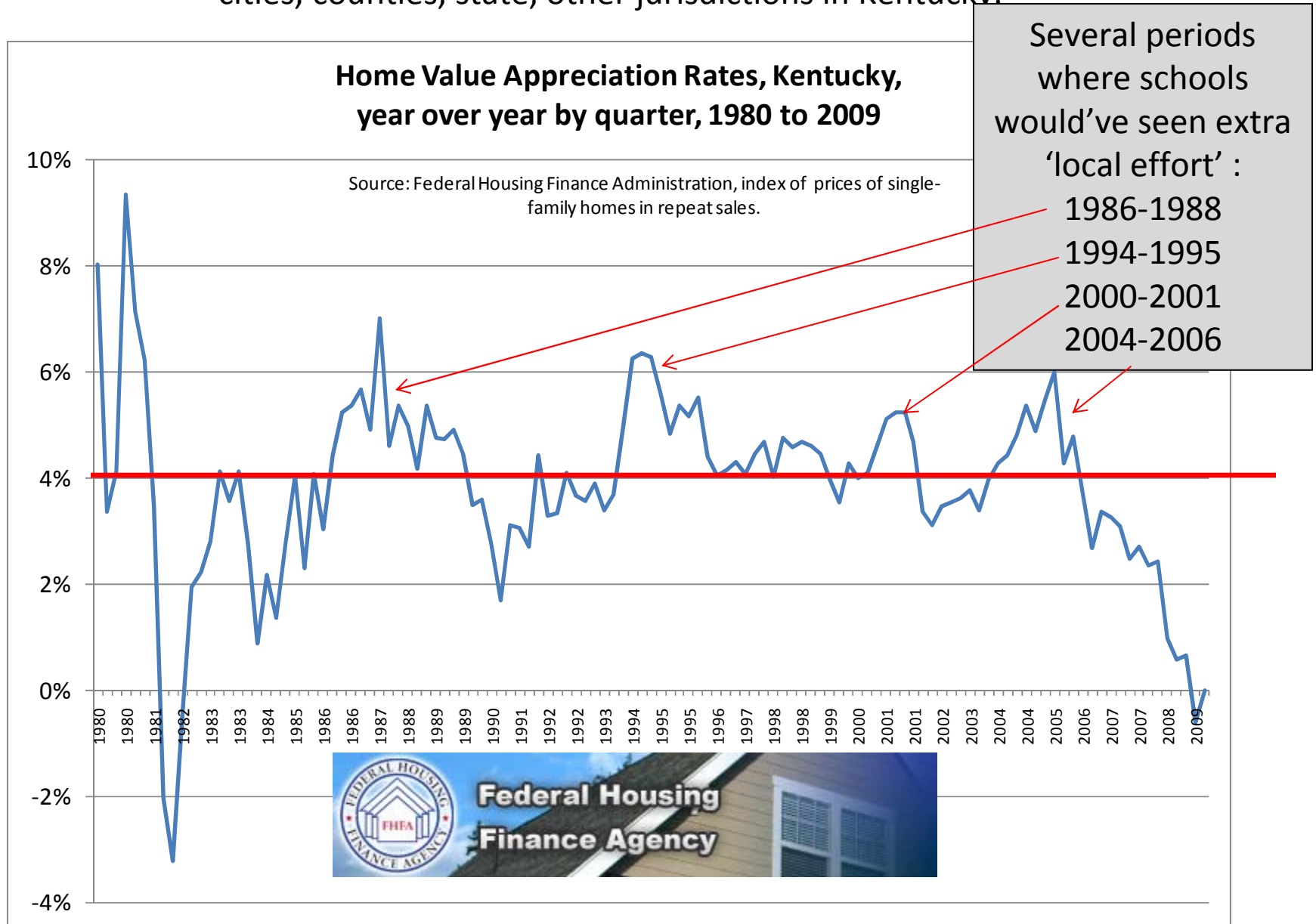
Median Property Taxes Paid as a Percentage of Median Home Value by County for Kentucky and Surrounding States, 2005-2007 Average



Share of Total Revenues from Local Property Taxes, FY07			
	City, County Governments, Special Districts	School Districts	All Local Governments
Illinois	18.9%	47.8%	30.9%
Indiana	19.2%	31.5%	23.8%
Kentucky	10.3%	24.4%	16.3%
Missouri	12.9%	35.5%	22.5%
Ohio	14.4%	39.4%	24.8%
Tennessee	15.2%		15.1%
Virginia	29.1%		29.0%
West Virginia	16.4%	28.5%	22.9%
United States	19.0%	34.3%	23.6%
Source: US Census Bureau, Governmental Finances			

Very low
reliance on
property taxes
for local
governments
and public
schools.

House Bill 44: annual cap of 4% on property tax revenues to schools, cities, counties, state, other jurisdictions in Kentucky.

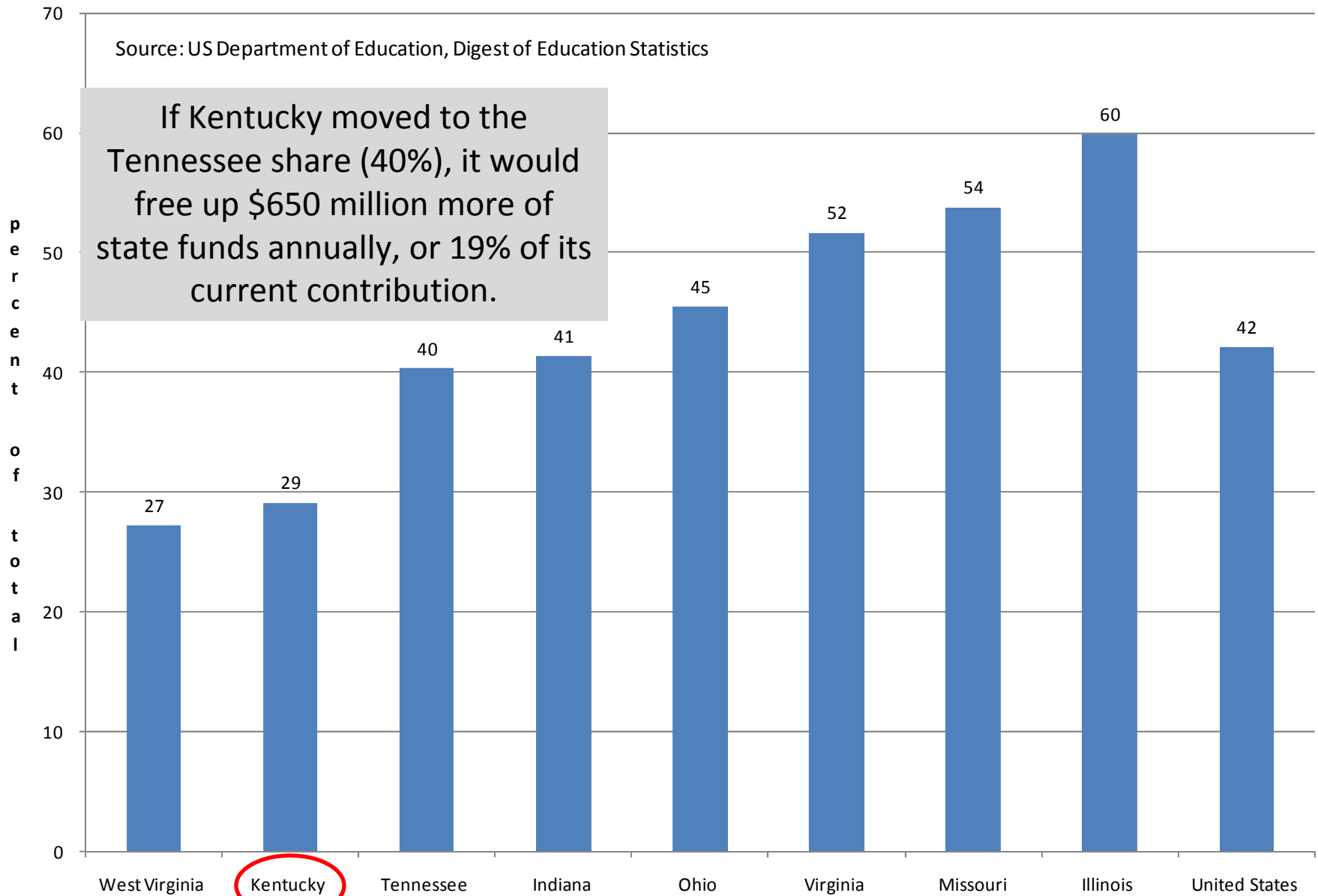


Education Spending

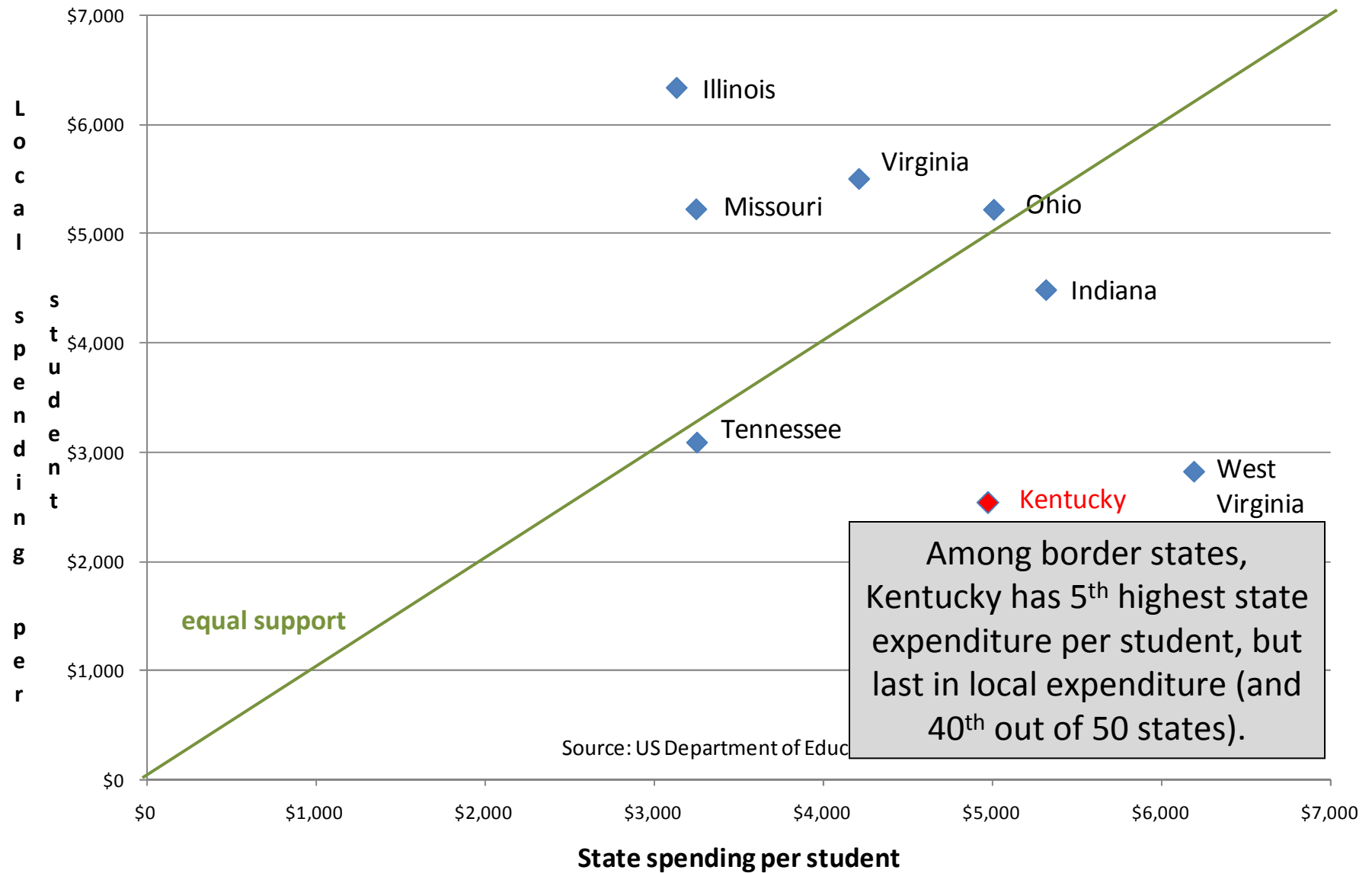
School District Revenues, Share from Local Sources, 2008

Source: US Department of Education, Digest of Education Statistics

If Kentucky moved to the Tennessee share (40%), it would free up \$650 million more of state funds annually, or 19% of its current contribution.



State vs. Local Support of K-12 Education Kentucky and Bordering States



In summary, it appears that

- ❖ Kentucky has high concentration of government jobs
- ❖ Kentucky centralizes public finances at state level relative to local level
- ❖ Family tax burdens in Kentucky are high, primarily due to state income tax
- ❖ Kentucky less reliant on sales tax revenues, at both state and local levels
- ❖ Kentucky less reliant on property taxes, thus decreasing local support for schools
- ❖ Kentucky funds local schools through state taxes more than any bordering state except WV

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